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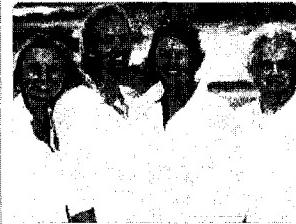
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How to Find the Ideal Life Settlement Broker

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How Do You Find a Trusted Life Settlement Broker?

Because Life Insurance Settlements are a relatively new financial service, it is important to find a legitimate broker and to understand the application process.

A powerful financial transaction, Life Settlements can greatly help many retirees. The Wall Street Journal and other publications have endorsed the benefits of Life Settlements. Model Regulations for Life Settlements have been developed by the National Association of Insurance Commissioners (NAIC) - but not all states or brokers follow these regulations. And, this is a new and emerging product and some Life Settlement companies have been accused of fraud.

Furthermore, not all Life Settlement brokers will negotiate the same settlement - some will be better at getting higher offers.

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Get FREE Quotes and Find Out if it is the Right Action for You

* **Life Insurance Policy Type:**

* **Face Amount (Death Benefit):**

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Checklist for Choosing the Best Life Settlement Broker

When choosing a Life Settlement broker, here are some criteria to help you find a legitimate broker who will be able to negotiate the best possible settlement:

- **Transparency in the Transaction:** A Life Insurance Settlement broker should educate you and keep you informed of every step and fee in the transaction. Your broker should be willing to tell you who the buyers are and show you all offers in writing.

Furthermore, you want to be sure that your broker is only a broker - not also a buyer of policies. It is not uncommon for brokers to be owned by the same entity as the buyer of the policies - causing a serious conflict of interest.

- **The Life Settlement Fee Structure:** Life Settlement brokers have different fee structures. While there is no industry norm, there are three different and commonly used structures, described below.

- **Percentage of Face Amount:** Some brokers calculate the fee you pay them based on a percentage (usually around six percent) of the face amount of your Life Insurance policy.

Consider this example*:

- Face Value of Policy: \$800,000
- Cash Surrender Value: \$40,000
- Life Settlement Amount: \$120,000
- Broker's Commission: (6% of the Face Value): \$48,000
- **Net Settlement to Policy Owner: \$72,000**

While straightforward, this fee structure does not encourage the broker to find you the best possible offer. The broker will earn the same amount no matter how big or small your settlement.

- **Percentage of Offer:** Other brokers calculate your fee based on a percentage (usually around 30 percent) of the settlement they broker for you. Although this method of calculating fees gives the broker an incentive to get you the highest offers possible, it gives no consideration to the cash surrender value that you have already earned. In essence, part of the commission would be on your own value.

Consider this example*:

- Face Value of Policy: \$800,000
- Cash Surrender Value: \$40,000
- Life Settlement Amount: \$120,000
- Broker's Commission (30% of Settlement Amount): \$36,000
- **Net Settlement to Policy Owner: \$84,000**

- **Value Created:** In the value created fee structure, you are paying your broker a fee based on a percentage of the settlement offer minus the surrender value of your policy. In other words, the fee is based on how much money they found for you above and beyond what you could have gotten by surrendering the policy to your insurance company. Under this fee structure, 30 percent is an average fee.

Surrender values on life insurance policies vary widely and are an important consideration when considering a Life Settlement. Therefore, this is probably the fairest method of calculating a broker's fee.

Consider this example*:

- Face Value of Policy: \$800,000
- Cash Surrender Value: \$40,000
- Life Settlement Amount: \$120,000
- Value Created by Life Settlement: \$80,000
- Broker's Commission (30% of the Value Created): \$24,000
- **Net Settlement to Policy Owner: \$96,000**

* Examples are for comparing fee structures. It is important to note that settlement offers vary widely commensurate with the type of policy, the age of the insured and other factors.

As seen above, the fees you pay to a broker are sizable. You may want to find a broker who uses the "Value Created" method of determining fees as this creates the right incentives for the broker to find you the best settlement possible and commissions are based on found money only.

- **Competitive Bidding:** Make sure that your policy will be bid on by as many qualified institutional buyers as possible to insure that you get the best offer. Some Life Settlement brokers sell to only one or two parties. However, by having multiple institutions bidding on your policy, you are more likely to get higher - more competitive offers.

Competitive bidding is a particularly important feature since you will be working with only one Life Settlement broker. A good broker will be marketing your policy to all of the top buyers.

- **Institutional Funding:** While the situation is improving, fraud has been a problem in the Life Settlement industry. One way to protect yourself against fraud involving a life settlement funder is to make sure that your Life Settlement broker is dealing exclusively with large institutional investors - who (by their very nature), are experienced risk and case managers.

Conceivably, anyone with adequate funds could purchase your life insurance policy. However, a legitimate broker should only be shopping your policy to institutional investors with the experience and funding to insure anonymity and privacy.

- **Adherence to National Association of Insurance Commissioners (NAIC) Standards:** NAIC is not a licensing organization, but they are helping to set the standards for regulations to protect consumers and promote competitive markets. It is important that you are assured that your Life Settlement Broker adheres to the standards NAIC put forth in their Model Viatical Settlement Act (the "Model Act"). <http://naic.org/>

- **Licensing:** Understanding where and how a broker is licensed is important. You should only work with a licensed company, but beware - not all licensing guarantees a legitimate broker. There are no national or federal regulations for Life Settlement products - only state licensing. And, some states will give licenses to anyone who pays a fee while other states have little experience with this type of product and do not have very detailed requirements.

Florida, Ohio, Texas and Pennsylvania have stringent licensing requirements for Life Settlement transactions. Therefore, it is a good indication that you are working with a reputable Life Settlement broker if they are officially licensed in at least one if not all of these states.

- **Privacy Protection:** Contracting for a Life Settlement entails sharing personal data. It is very important that you are sure that all of your personal medical and insurance policy information is obtained with appropriate, signed authorizations and you should be assured that this data will only be used for purposes of the Life Settlement transaction.

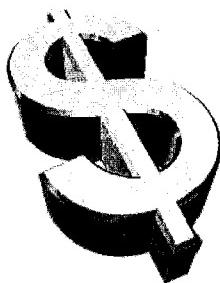
- **Medical Director:** Some brokers staff a medical doctor who can help interpret your medical history in such a way that enhances your Life Settlement prospects. It may benefit you to seek a broker who offers this service as it can potentially increase the amount of your settlement.

- **Errors and Omission Insurance (E&O Coverage):** E&O insurance is a type of insurance carried by most qualified financial organizations. A broker with a bad record may not qualify for this type of coverage. You should make sure that your broker carries E&O insurance. You can even ask to see their certificate.

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